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CALIFORNIA HIGH-SPEED RAIL AUTHORITY
MONTHLY MEETING

TRANSCRIPT OF PROCEEDINGS

Sacramento City Hall
915 I Street, City Council Chambers
Sacramento, California

Thursday, October 4, 2012
10:15 a.m.

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A P P E A R A N C E S

BOARD MEMBERS

Mr. Dan Richard, Chairperson

Mr. Tom Richards, Vice Chairperson

Mr. Bob Balgenorth

Mr. Jim Hartnett

Mr. Michael Rossi

Mr. Thomas Umberg

STAFF

Ms. Geny Baldini, Administrative Assistant to CEO

Ms. Angela Reed, Staff Operations Specialist

ALSO PRESENT

Mr. Thomas Fellenz, Esq., Legal Counsel

Mr. Jeff Morales, CEO

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SACRAMENTO, CALIFORNIA, OCTOBER 4, 2012.

10:15 A.M.

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MR. RICHARD: Good morning. I apologize for the brief delay. Welcome to this meeting of the California High-Speed Rail Authority Board.

And would the secretary please call the roll.

MS. REED: Vice Chair Richards?

MR. RICHARDS: Here.

MS. REED: Mr. Umberg?

MR. UMBERG: Here.

MS. REED: Mr. Hartnett?

MR. HARTNETT: Here.

MS. REED: Mr. Balgenorth?

MR. BALGENORTH: Here.

MS. REED: Mr. Rossi?

(No response.)

MS. REED: Chairman Richard?

MR. RICHARD: Here.

You missed Vice Chair Schenk, who cannot be here today for reasons that she described to me. She's been very diligent about participating on this Board.

All right. We have a quorum.

Mr. Hartnett, would you lead us in the Pledge of

1 Allegiance.

2 (Pledge of Allegiance recited.)

3 MR. RICHARD: Thank you. All right. We'll
4 begin, as we always do, with public comment. One moment.

5 (Mr. Rossi entered the Board meeting.)

6 MR. RICHARD: As we always do, we have speakers
7 speak in the order in which their cards were turned in. I
8 was just going through to determine whether we had any
9 elected officials with us because we always afford them the
10 first opportunity to speak.

11 I did not see anyone from an elected position
12 today, so if I misunderstood that, please let me know.

13 Otherwise, we'll begin. Diana LaCome.

14 Good morning, Ms. LaCome.

15 MS. LaCOME: Good morning, Chairman Richard and
16 Authority Board members. I'm Diana LaCome, president of
17 APAC.

18 First of all, I would like to thank you for
19 unbundling the right-of-away contract. Today there is a
20 prebid in Fresno. But I did want to state -- or bring to
21 your attention the fact that even though it states it's 30
22 percent SBEs, there's no distinction between who is involved
23 in the DBE. There's no 10 percent DBE, and there's no
24 3 percent DVBE. It's noted in there just in general terms
25 about the disadvantaged business program, but that's it.

1 Second item that I would like to discuss with you
2 is that we recommend that the officer -- when FRA sent a
3 letter to you in September of 2011, they recommended that
4 the officer that would be assigned to interface with the
5 small business community be a CEO with, quote, "unfettered
6 access to the CEO." And we would like to recommend that
7 Mr. Trujillo, the new chief deputy, be that person since he
8 replaced Chris Ryan.

9 Third, something that we've brought up with you
10 before, the utility relocation contracts. We would again
11 like to encourage you to not add this contract to the
12 winning few on the first phase construction contract. And,
13 also, that we recommend that separate goals be set aside
14 throughout for professional services and construction.

15 Lastly, we recommend that the Authority begin
16 crafting a Project Labor Agreement that takes into
17 consideration SBEs, DBEs, and DVBES.

18 We have about three months left before we start
19 construction, and it's going to be extremely important for
20 those small businesses that are non-union that there be a
21 Project Labor Agreement in place that they can participate
22 and so on. Thank you.

23 MR. RICHARD: Thank you, Ms. LaCome.

24 Our next speaker will be Julianne Broyles,
25 followed by David Schwegel.

1 MS. BROYLES: Sorry.

2 MR. RICHARD: That's all right.

3 MS. BROYLES: Thank you, Mr. Chairman, Board
4 members. Julianne Broyles. I'm here on behalf of the
5 California Associated Builders and Contractors, and we are
6 an organization, as you likely know, merit shop employers
7 who reward our employees based on performance and encourage
8 them to reach their highest level of achievement, and where
9 contracts are always awarded based on safety, quality, value
10 regardless of their labor affiliation.

11 We have worked for a number of years to ensure
12 that all contractors, regardless of their union or non-union
13 status, have access and opportunity to bid on and be awarded
14 public contracts paid for by the California taxpayer.

15 And we were very concerned to hear last week
16 during the meeting in Kern County that there have been
17 agreements now initiated that there would be exclusive union
18 labor agreements for the High-Speed Rail Authority
19 contracts. We think that this is a huge problem, and it
20 will be a big hurdle to the HSRA to achieve their 30 percent
21 small business participation goal.

22 We believe that every contractor who is
23 qualified, licensed, and meets the requirements, should have
24 the ability to work on this with no "union only" strings
25 attached. And this is particularly important to us because

1 so much of the bond debt today -- in fact, there was just a
2 report released by the State Treasurer that shows that we're
3 going to jump to nearly \$2,400 a year per taxpayer in
4 California to pay our bond debt. And for this, we think
5 that everyone who is paying for this should have the
6 opportunity to bid and work on these projects.

7 We think that there should be a policy adopted by
8 the Authority that maintains and ensures fair and open
9 competition on the High-Speed Rail project.

10 We will be submitting this in written form, and
11 we have the language of the policy in our comments. But we
12 do think that this is very important for the Authority to
13 consider and make sure that every Californian has an
14 opportunity to work on this project. Thank you for your
15 consideration.

16 MR. RICHARD: Thank you. David Schwegel,
17 followed by Paul Guerrero.

18 MR. SCHWEGEL: Good morning. David Schwegel, US
19 High-Speed Rail Association. We are teaming up with the
20 Madera Transportation Institute to hold a conference at
21 Los Angeles Union Station December 3rd through the 5th. We
22 look forward to the Authority's continued support.

23 Now, let's talk community and stakeholder
24 relations. As we know, our project is the biggest game
25 changer for the civil engineering profession in decades.

1 And with 140,000 members worldwide, the American Society of
2 Civil Engineers is one of the world's largest associations
3 of engineering professionals.

4 They were hoping to hear about our business plan
5 during their Financial Strategies For Infrastructure
6 program's panel at their international conference in
7 Montreal. And that particular panel will take place on
8 Saturday, October 20th. And the international conference
9 actually takes place between the 18th and 20th. So we need
10 to, I guess, determine how we want to work out the
11 stakeholder relations. I strongly encourage us to develop
12 strong ties with the American Society of Civil Engineers.
13 And I'll check back with you early next week to find
14 out how we want to fulfill their invitation having us talk
15 about the business plan during their Financial Strategies
16 For Infrastructure program's panel. Thank you so much.
17 Bye-bye.

18 MR. RICHARD: Thank you, Mr. Schwegel.

19 Paul Guerrero, followed by Dan Dolan.

20 MR. GUERRERO: Good morning. I'm going to change
21 what I had to say since everybody's talking about Project
22 Labor Agreements.

23 What I wanted to point out to you is that the
24 Small Business Committee that you've established is a tool,
25 and it's a tool to be used. And it is not being used

1 because it's only meeting every other month. And right now
2 at this point in time everything has happened that that
3 committee should be focusing on.

4 For example, we're talking about Project Labor
5 Agreements and small business should participate in that. I
6 agree. Why not have a subcommittee of the -- of your Small
7 Business Committee help put together some of the language on
8 that so that small businesses can be protected.

9 The other thing that I wanted to talk about is
10 what is a small business. There's no definition as far as
11 this project is concerned as to what a small business is.
12 General Services will tell you that a small business is
13 certified by General Services as no larger than 14, I think,
14 point 5 million. The federal regs will tell you -- that
15 we're working under -- that a small business is a business
16 that does less than \$22.4 million. So, gee, which is it?
17 Is it the General Services, or is it the federal regs? And
18 who's certifying the businesses? If you're going to get
19 certified as a DBE, which is 22.4 million, you have to be a
20 minority. What about the white males? Are they going to be
21 small businesses? Who's going to certify them? Well, the
22 SBA, Small Business Administration, certifies them. But
23 nobody knows any of the information I'm giving you right
24 now. And that should be put out to the public so that the
25 two of you can determine, when you set something aside for a

1 small business, be it moving a house or a right-of-way or
2 whatever, that you set the standard down as to what that
3 small business is going to be.

4 So this is something, again, that should be
5 handled in your Small Business Committee that only meets
6 every other month. So maybe we could move that up and start
7 meeting every month to get some of the stuff resolved.
8 Thank you.

9 MR. RICHARD: I think I heard last night in the
10 debates that Donald Trump is a small business. So,
11 Mr. Guerrero, I presume you agree with that position.

12 MR. GUERRERO: I viewed that too, and I was kind
13 of surprised. But who knows in this world what is what.

14 MR. RICHARD: Thank you, sir. I didn't mean to
15 make light of what you said. We'll look at that issue.

16 Yes, Dan Dolan, followed by Frank Oliveira.

17 MR. DOLAN: Thank you, Chairman and CEO Jeff
18 Morales. I'm Dan Dolan. I represent Stewart Title of
19 California and Stewart Title Guaranty company out in
20 Houston.

21 I wanted to appeal and recommend again that on
22 this project Bender Rosenthal's title insurance companies or
23 Chicago and Fidelity, and Stewart Title is more than willing
24 to co-insure half of the entire transaction with those
25 companies.

1 My second item is to mention that you are the
2 public face of the Authority for the governor and the
3 citizens of the state of California, and I recommend to this
4 esteemed executive Board that Patricia L. Jones did a
5 wonderful job withdrawing HSR 1102 from July of 2011 and
6 substituting it with -- I mean, 1120 -- substituting it with
7 1102.

8 And I ask that with her evaluating team, with
9 Jeff Morales under his direction, strive to have fairness
10 and honesty when evaluating the many bidders that we would
11 like to see bid on this project. They're probably with
12 Ms. Jones today in Fresno at the prebidders conference. And
13 please unbundle the contract so that you have three
14 contracts of 13-plus million or four of 10 million. That
15 will allow equal employment opportunity for all
16 Californians, and it will create more jobs.

17 It's an easy choice for you to consolidate the
18 \$40 million dollars contract to one or two favorite vendors
19 that you've already been aware of, the IVP (phonetic) and
20 Bender Rosenthal. And I hope that you will bring more
21 people into the project.

22 MR. RICHARD: Thank you, Mr. Dolan.

23 Frank Oliveira, followed by Ross Browning.

24 Mr. Oliveira, if we keep having these meetings in
25 Sacramento, I think we're going to turn you into an advocate

1 for faster trains.

2 MR. OLIVEIRA: Thank you. I hope it pays well.

3 As you know, I'm with Citizens for California
4 High-Speed Rail Accountability. For over a month, probably
5 close to a month and a half, we've been requesting in person
6 and in print from the High-Speed Rail Authority to release
7 the 14,000 pages of technical reports which were referenced
8 in the Environmental Impact Report that was released for
9 public review. We've received no answer; we haven't seen
10 the reports released for public review.

11 In Volume 1 of the draft Environmental Impact
12 Report, it references these 14,000 pages over and over and
13 over. To understand the assumptions that your staff have
14 put together in the environmental impact review, you really
15 have to read the technical reports. Now, they are available
16 on your Web site, but they're not readily available for the
17 public to review in public spots. And I'm not aware of a
18 requirement, to participate in this project, to have a
19 high-speed Internet connection and a computer.

20 Because of that, you can conclude that it doesn't
21 matter because it's on your Web site. But NEPA section
22 1502.21 says incorporation by reference. And I'm reading
23 this precisely out of NEPA: "Agencies shall incorporate
24 material into the Environmental Impact Statement by
25 reference when the effect will be to cut down on bulk

1 without impeding agency and public review of the action.
2 The incorporated material shall be cited in the statement
3 and its content briefly described. No material may be
4 incorporated by reference unless it is reasonably available
5 for inspection by potentiality interested persons within the
6 time allowed for comment. Material based on proprietary
7 data which is itself not available for review and comment
8 shall not be incorporated by reference."

9 If you're using these technical reports to
10 justify your Environment Impact Statement, you need to
11 release this to the public so the public can review. There
12 are similar citations in CEQA law. We're just asking for
13 the information so we understand the assumptions that you
14 folks are saying. Without that, we are not meaningfully
15 participating in this process, which is a violation of NEPA.

16 So all of that said, again, I'm requesting that
17 you release the documents to all the public locations, allow
18 the public to review these documents, adequate amount of
19 time, so that we can comment and have meaningful comments
20 and be involved in this project.

21 So all of that said, I'm requesting a 180-day
22 extension to the review periods and these actions be taken.
23 I have letters here from Aaron Sepeda (phonetic), Joyce
24 Cody, and Carol Walters, asking for different amounts of
25 times, ranging from an additional 90 days to one year to two

1 years to review this. If we have to hunt and peck for
2 stuff, we need time to hunt and peck. Thank you very much.

3 MR. RICHARD: Thank you, Mr. Oliveira. I will
4 ask our general counsel, Mr. Fellenz, to -- not -- I don't
5 want to put you on the spot to do it at this point, but
6 could you take this matter under advisement?

7 MR. FELLEENZ: Yes, be happy to.

8 MR. RICHARD: Okay. Thanks very much.

9 Mr. Browning, good morning.

10 MR. BROWNING: Good morning, Chairman Richard,
11 members of the Board. We get here often enough, do we get
12 coupons, or do you guys validate parking at all? We're on
13 our own for that? All right.

14 MR. RICHARD: What we're going to do is we're
15 going to give you vouchers that will allow you to come free
16 to another board meeting in the future.

17 MR. BROWNING: All right. And with your kind
18 permission, I would like to address some comments to the
19 newest member of the dais up there, Mr. Morales.

20 Sir, you've been quoted on camera saying that the
21 current high-speed rail train -- high-speed train -- excuse
22 me -- HST alignment meets the criteria as outlined in
23 Prop 1A where feasible. The statement released would
24 justify the elimination of the I-5 corridor and most of the
25 Highway 99 corridor as potential high-speed train

1 alignments.

2 Research shows that I-5 and portions of the 99
3 were both eliminated from the serious high-speed train
4 consideration sometime either in or before 2005, but in any
5 case, well before the arrival of Prop 1A in 2008 and, also,
6 your arrival as CEO in 2012.

7 I am, therefore, formally requesting from you
8 under the provisions of the public document request statute
9 the following data in either paper or DVD format: The
10 definition of the word "feasible" as it was used to
11 determine that the I-5 route in its entirety of selecting
12 portions of Highway 99 that were and were not deemed to be
13 suitable as transportation corridors, candidates for the
14 high-speed train.

15 Secondly, the source used for this definition.
16 We may have different dictionaries.

17 Number three, any studies, reports, papers, memos
18 notes, slideshows, or video presentation that were made or
19 used in the determination that I-5 was not suitable as a
20 transportation corridor for high-speed train consideration.
21 Also, any determination that Highway 99 was not suitable in
22 its entirety as a transportation corridor for high-speed
23 train.

24 Last point, any studies, reports, papers, memos,
25 notes, slideshows, video presentation that were made or used

1 in determination of the current high-speed train alignment
2 through cities, schools, churches, hospitals, medical
3 facilities, police and fire stations, playgrounds, museums,
4 offices and municipal buildings, parks, roads, farms, homes,
5 dairies, water discharge basin or water potting area sites,
6 veterinary facilities or animal treatment and disposal
7 facilities, were superior in any of these existing
8 transportation corridors that were not selected.

9 I make this request for these data in the spirit
10 of full cooperation and transparency that this Board has
11 stated as its mode of operation. Thank you.

12 MR. RICHARD: Thank you, sir.

13 MR. BROWNING: I have -- unfortunately, I don't
14 have enough today, so I don't know how you want me to handle
15 it. I have a letter for Mr. Morales, second one for
16 Chairman Richard, and two. Thank you very much.

17 MR. RICHARD: Yeah, I can assure you they will
18 get that to us. Thank you.

19 MR. BROWNING: Thank you.

20 MR. RICHARD: Thanks, Mr. Browning.

21 Okay. Shelli Andranigian, followed by Rich
22 Dryden.

23 Good morning.

24 MS. ANDRANIGIAN: You pronounced it perfectly.

25 MR. RICHARD: A little help from you, but thank

1 you.

2 MS. ANDRANIGIAN: Good morning, Chairman Richard
3 and Authority Board members. I am a lifelong resident of
4 California. Our family has two impacted properties in
5 Fresno County in the proposed eastern portion of the Fresno
6 to Bakersfield high-speed rail route. The home place has
7 been severely impacted. And as an attention-to-detail type
8 of individual, I need more time to complete everything.

9 I represent both the Andranigian family and the
10 Carter family. There are many more in Fresno County who
11 have not had a chance to write a letter to ask for more
12 time, so I am doing so on their behalf as well.

13 It's harvest season in the Central Valley, and
14 crops have to be picked, et cetera. I made note of this at
15 the public hearing in Fresno in September, and it forever
16 holds true that there is never truly a slow time in
17 agriculture. Case in point: My folks got married in
18 January 1961 because that was considered the slowest time of
19 year, yet there were still trees and vines to prune when
20 they returned from their honeymoon.

21 I am asking for 180 days of extended time to be
22 granted to allow everyone to properly be able to review the
23 revised draft EIR/EIS Fresno to Bakersfield. This is
24 especially important since there is still information not
25 readily available or easily viewable in rural areas which

1 have poor Internet access. The home place is one of them.

2 Thank you for your consideration of this very
3 important matter. I believe everyone should be given a
4 proper chance to get everything together, especially when
5 this is a project that will forever impact lives for
6 generations to come. I know that the Authority keeps saying
7 they want to make us whole. Well, in order to better
8 attempt to make us whole and maybe get something right, we
9 need to have the time and information to formulate precise
10 comments which benefits everyone in the long-term.
11 Communication is key and cannot be rushed. Neither can this
12 project. Thank you very much.

13 MR. RICHARD: Thank you, Ms. Andranigian.

14 Rich Dryden, followed by Alan Scott.

15 Good morning, sir.

16 MR. DRYDEN: Good morning, Chairman, Board
17 members, CEO. Just a quick couple of items. One of the
18 things that may be at issue for the short list of primes
19 coming up would be finding the right groupings to meet the
20 30 percent small business goal with 3 percent DBD
21 participation and DBE. So I don't know how you will make
22 themselves available to those -- that short list of primes
23 to assist in building consortiums. It might make it easier
24 to do that. That's just something free that we do. We'll
25 be working with the small businesses and DBD/DBE community

1 in that effort.

2 Some of the other items that were covered,
3 specifically those regarding the PLA and the small business
4 sizes which support the comments of both Diana LaCome and
5 Paul Guerrero on those, and agree very specifically those
6 should be worked out with assistance of the California
7 High-Speed Rail Small Business Committee.

8 In the case of PLA, certainly the "devil is in
9 the details," and the correct wording of those will be very
10 important for a win/win for both the primes and the small
11 businesses. Thank you.

12 MR. RICHARD: Thank you very much, sir.

13 Mr. Scott. And that is the last speaker card
14 that I have.

15 MR. SCOTT: I'm last?

16 MR. RICHARD: Today you are, sir.

17 MR. SCOTT: Good morning, Mr. Chairman. Good
18 morning, members of the Board. One of the things about
19 Internet is I'm one of the few in my area that has one, and
20 I keep reading things. And my presentation today is a
21 little different than what everyone else has been
22 discussing.

23 Currently, the state of California is the worst
24 state in the United States of America as far as a credit
25 rating. They're A-minus. The proof of that is right off

1 the Internet.

2 The state is also, with funded and unfunded debt
3 obligations, close to three quarters of a trillion dollars.
4 To follow that up, the United States of America was just
5 downgraded to AA-minus just two days ago.

6 Change is in the wind. Sacramento -- Campbell
7 Soup is leaving. Closing their plant since 1947 with 700
8 people. They're moving to three different states: Texas,
9 North Carolina, and Ohio. And I went on the net and
10 researched those three states. Two of them are run by one
11 of the party members, one party, and then one of them is run
12 by the other party in power. The bottom line is that all
13 three of those states have one thing in common: Less
14 regulation, user friendly to the employer and to the
15 employee. And I will tie this together in just a minute.

16 The next one is Comcast is closing three Northern
17 California call centers, shipping 1,000 jobs out of state.
18 And the key statement they use was that because of high --
19 ridiculously -- their words -- ridiculously high cost of
20 doing business in California. Excuse me.

21 So the total job loss right now is -- just on
22 these two just recently is 1,700 people gone, which means
23 that -- I am going to tell you about some agricultural
24 people. The five counties that you're going to be heading
25 right now are Merced, Madera, Fresno, and Kings, and Tulare.

1 And I also went on and I went and got the 2011 numbers for
2 these five locations. They contributed 18 billion 700 -- or
3 I'm sorry. \$18,700,000 to the economy of the state of
4 California. You're going to run a train right through the
5 middle of that, and then the next thing you're going to have
6 is -- because you're losing farmland, you're going to raise
7 the price of feed and food. Who's going to pay for that?
8 Who is going to pay for that? It goes back to Mr. Browning.
9 He said, "Is this the correct routing?" The correct routing
10 is, I think, not through this farmland. And you can't
11 replace dirt.

12 And currently, right now, your ridership numbers
13 are no good because -- and Manhattan Institute report just
14 released September 2012 states that since 2005 California
15 has decreased its population by almost 300,000, and this is
16 seven years of decrease. So your projections for ridership
17 and the cost of the ticket need to be rethought and relooked
18 at again.

19 And the bottom line is we're in a state with a
20 serious problem, with financial problems. The state of --
21 the country of the -- the United States also has the same
22 problem, and I think we need to take a step back and take a
23 look. We're obligating money that will probably take
24 three-quarters of a trillion dollars and move it into over a
25 trillion dollars or more in debt. And who can pay for that?

1 I think another gentleman said there's a \$2,300 obligation
2 to each California citizen for this, and I think that we
3 need to be very -- you need to do some due diligence.

4 MR. RICHARD: Could I ask you to --

5 MR. SCOTT: I'm done. Thank you very much for
6 your time. And I'm also asking for a one-year extension.
7 My letter will follow electronically.

8 MR. RICHARD: Okay. Thank you, sir.

9 That concludes the public comment period. I do
10 want to make one comment this morning to -- I'm always
11 careful -- and I think we on the Board are careful not to
12 interject ourselves into the public comments because it's
13 your time to speak to us, but there were a couple of
14 comments made this morning on both sides of the issue of
15 Project Labor Agreements, and I just thought I would offer
16 one personal perspective on this, which is that, first of
17 all, I don't believe that any decisions have been made at
18 this point about Project Labor Agreements. It's certainly
19 not come to this Board at this level.

20 I have some experience with these, though, of my
21 prior life in the energy sector and so forth which were
22 uniformly positive. In fact, my first experience with it
23 was back in the '80s when the state was on a building boom
24 for cogeneration facilities, particularly in the Kern County
25 area around the enhanced oil recovery facilities. And we

1 had companies coming in from Texas, Oklahoma to places that
2 never dealt with union labor and were asked to sign Project
3 Labor Agreements. There was some controversy about this.
4 But I do remember one company that came to me and said, "You
5 know, we've never worked with a union company in our life.
6 We signed a Project Labor Agreement. The project was done
7 ahead of schedule, under budget, and the workmanship was
8 first grade." And so that's been my experience.

9 The other issue here we have which I'm hearing
10 this morning is that in order for us to meet our small
11 business goals, the Project Labor Agreement forms an avenue
12 for small business to participate that they may not have in
13 the absence of that. So I want to make two points: One, as
14 far as I know, my colleagues nor I have not addressed --
15 this question has not come before us. When it does, we will
16 deal with it as we deal with everything, with an open mind.
17 So I think it's not correct to say that it's already been
18 done, but I also think that there are many, many issues here
19 that go beyond what I think sometimes is just viewed as a
20 simple binary choice. Sorry. I just thought I would share
21 that.

22 The second thing before we move to management
23 report and staffing is -- where I'm sure we will be told by
24 Mr. Morales about his success in filling a number of
25 positions and building out this organization. But in

1 addition to garnering some very talented people, today we
2 have to acknowledge that we're losing a very talented
3 person. And that's Ms. Lisa Toos, who has served this
4 Board, served Mr. Morales and his predecessor very well. I
5 want to also tell her that I personally appreciate the fact
6 that as somebody who was called upon to be pretty active in
7 this Board, beyond her former duties, she reached out to me
8 to ask if she could ever help with administrative tasks,
9 which was deeply appreciated.

10 So Lisa worked at the High-Speed Rail Authority
11 through a very difficult and challenging and turbulent time,
12 an organization that was substantially understaffed and
13 constantly under the public scrutiny, with a very large
14 percentage of commentary being about how deficient the
15 organization was, and yet she worked through all of that
16 with great professionalism.

17 So I'm sure that I speak for all of my colleagues
18 in wishing her well. She's actually -- my father always has
19 this great expression that "In life you should run to
20 something and not from it." And she has found a position
21 that allows her to expand her range of opportunities to use
22 her skills. It's their good fortune and our loss.

23 But, Lisa, the Board has created for you a
24 Certificate of Recognition to thank you for your very loyal,
25 very diligent, and very competent service on behalf of the

1 people of California and the California High-Speed Rail
2 Authority.

3 Mr. Morales, would you like to either echo some
4 comments or to provide that to her?

5 MR. MORALES: You were so eloquent I'm not sure
6 how to follow up. But just to -- again, I want to join in
7 thanking Lisa for her service, and it was indispensable to
8 me as I came into this position, and we were all better
9 served and set by the things that she did. As we go
10 forward, we'll continue to rely on what she did even when
11 she's gone. Thank you, Lisa.

12 MR. RICHARD: Lisa, thank you.

13 Okay. With that, we will move to management
14 report, staffing and project status. I don't see -- oh, it
15 is the first one. I'm sorry. This is the problem with -- a
16 lot of things. Go easy on me, Mr. Rossi.

17 All right. We'll have a report from the Audit
18 and Finance Committee, Mr. Rossi and Mr. Richards.

19 MR. ROSSI: Before I give you a rundown on the
20 audit committee, I too, as one of those directors who came
21 in very new and very tense time, want to give my personal
22 thanks, Lisa, to you for all your help. It's just amazing.
23 It's a big loss to the Authority, but I wish you nothing but
24 the best.

25 Now, as for the audit committee, today we

1 reviewed the reports of the State Auditor and the GAO
2 audits. This concerns the California State Auditor. Bureau
3 of State Audits conducted two audits in the Authority's
4 operations. The 2010 audit contained ten recommendations.
5 The Authority's most recent status update was provided to
6 the State Auditor on September 17th and reported that all
7 recommendations made in the audit report are fully
8 implemented.

9 The 2012 audit contained nine recommendations.
10 The Authority's most recent status report provided the State
11 Auditor report that six recommendations are fully
12 implemented.

13 The status of the remaining three recommendations
14 is as follows: Recommendation 1, the Authority will work
15 with the Department of Finance to define the specific plan
16 for use of cap and trade funds, which will be presented in
17 detail in the next business plan.

18 Recommendation 2, the Authority will clarify in
19 the next business plan that the state will not be able to
20 use cash flows for other purposes during the term of
21 financing.

22 Recommendation 3, the Authority will fill the
23 Chief Financial Officer and Chief Program Manager position
24 and will then explore options for conducting a workload
25 analysis.

1 So we are moving along with those three issues
2 and be done with them shortly.

3 Additionally, the State Auditor had recommended
4 the Department of General Services perform an audit of the
5 Authority's procurement processes. Because DGS has reduced
6 the Authority's delegated procurement authority, the State
7 Auditor has determined that DGS does not need to perform the
8 procurement audit.

9 As it concerns the General Accounting Office, in
10 February 2012 the GAO informed the Authority that it would
11 be conducting an audit of the U.S. Department of
12 Transportation and the Federal Railroad Administration
13 regarding high-speed rail projects and would include the
14 Authority in its fieldwork. The GAO made a request for
15 project-related documents, and all the documents relative to
16 the request have been provided.

17 The Authority and the project management team met
18 with the GAO and conducted three conference calls to clarify
19 information previously provided and will have additional
20 opportunities to clarify information. The GAO report is
21 expected to be released in early 2013.

22 The Authority staff developed a master schedule
23 with legislative or contractually required reports that can
24 be tracked throughout the Authority and include a process of
25 automated report notification to staff responsible for each

1 report. The Authority recently submitted their first
2 report, mandated under SB 1029.

3 Financial report, I will turn this over to Jeff
4 Morales to give us an update on the status of payments to
5 vendors.

6 MR. MORALES: Thank you, Mr. Rossi. The Board,
7 as well as management, have heard concerns in the past about
8 the Authority's ability to ensure that its vendors and
9 contractors are being paid in a timely basis. That is a
10 matter of significant concern with all of our vendors and
11 contractors. But given the Board's commitment to -- the
12 Authority's commitment to small business, it's especially
13 important for those firms who don't have the ability to
14 sustain themselves, that we be able to pay people on time
15 and pay them promptly. We have worked very diligently on
16 that. I want to give credit to Dennis Trujillo and Thomas
17 Carter and the financial team that we've made some real
18 progress in streamlining the process, working with the
19 federal government, working with the Department of General
20 Services and with the State Controller's Office to get
21 caught up on payments and to ensure that, as we move
22 forward, we have a much better ability to stay current with
23 our payments. And that is a commitment we make to our
24 contracting community as we go forward. And I'm pleased
25 that we have been able to make significant progress on that

1 front.

2 MR. RICHARD: Thank you, Mr. Rossi, and also to
3 Tom Richards for your work on the Audit and Finance
4 Committee. And let me just say, we appreciate it. I know
5 it's a lot of work, but this is really central to the heart
6 of governance by this Board. This is a major project that
7 involves significant expenditure of public funds, and the
8 public expects and demands that we be careful and thorough
9 in how we go about doing that.

10 Obviously, with the reports of the State Auditor
11 and the legislative analysts and others, we've been given a
12 road map for improvement, and it's heartening to hear from
13 the committee's standpoint this morning that we're moving
14 along that path very well. So thank you for that,
15 Mr. Morales. Thank you and Mr. Trujillo, Mr. Carter, for
16 the work to make sure that we take care of the people who
17 are doing business with us and becoming more businesslike as
18 we do that. These are very important "nuts and bolts"
19 things that we have to do well. So we commend you for that.
20 Okay. Thanks again for that report.

21 Now, Mr. Morales, management report on staffing
22 and project status.

23 MR. MORALES: Yes, Mr. Chairman, just briefly, I
24 wanted to update the Board and the public on key milestones
25 and progress that have been made on two fronts: One, the

1 project as a whole and, secondly, on the issue of staffing
2 and building the organization as we have committed to do.

3 A few things on the project side: Just as a
4 reminder, on September 19th, a very significant event. We
5 received the first Federal Record of Decision for the Merced
6 to Fresno section. That's a major milestone in the life of
7 this project. It allows us to actually move forward now
8 significantly towards construction on that.

9 Two days later, on September 21st, that was
10 followed by an announcement from the White House that the
11 Fresno to Bakersfield section of the EIR/EIS would be put on
12 a federal program to ensure greater collaboration and
13 consistency among the federal agencies that are part of the
14 NEPA process. And that is intended to ensure that things
15 move smoothly through that process, that reviews are made on
16 a timely basis and that they're made accurately and on a
17 timely basis. So a significant -- a positive announcement.

18 We have issued, consistent with Board direction,
19 two important documents: One, as was mentioned by some of
20 the public speakers, the Request for Proposals, or RFP, for
21 right-of-way has been issued, as was mentioned, and
22 consistent with previous Board direction that RFP allows for
23 multiple awards made over that contract, or unbundling, as
24 was described. It does contain, in addition, the small
25 business commitment. And we will ensure that that goal is

1 met as part of this -- that right-of-way will be both
2 unbundled in terms of the potential for multiple qualified
3 teams to participate. And as part of that, one of our goals
4 is to ensure that those people out in the field working with
5 affected property owners have local knowledge, local
6 experience, and come from the communities that are affected.

7 Secondly, we are issuing, again consistent with
8 Board direction, the RFQ for construction management. That
9 will be out today, I believe. And, again, important to move
10 forward with the program and to ensure that we have the
11 tools we need to oversee building and construction contracts
12 as they go forward.

13 On the staffing side, as was mentioned, SB 1029,
14 the appropriation that was provided as a significant number
15 of reporting requirements, the first of which we delivered
16 on October 1st on schedule and in full accordance with the
17 law, and that describes our staffing management approach. I
18 want to acknowledge that we have been working very
19 diligently to fill our key positions. In the last 45 days,
20 we've brought on seven key senior level staff to fill key
21 positions, ensuring that we have the ability to make sure
22 the government people are making government decisions and
23 that we're properly accountable. That includes our three
24 regional managers. We now have for the first time three
25 Authority staffers, senior level people, who are the face

1 and the voice of the project in the north, in the central,
2 and in the south who will be the primary point of contact
3 for stakeholders and will feedback directly to me to ensure
4 that we are doing what we are supposed to be doing in each
5 of those regions.

6 We have also identified and brought -- we're
7 bringing on a new legislative director. And next week I
8 expect to announce our Chief Program Officer, one of the key
9 positions identified by both the Board and management and
10 the legislature. So we're very excited about that in
11 bringing on a very strong candidate there.

12 Dennis Trujillo is now the acting CFO. We
13 continue to look for a permanent spot, but Dennis is very
14 ably fulfilling those responsibilities. We also have
15 brought over a supervising project delivery director,
16 someone from Caltrans, Mohsen Sultan, who has 25-plus years
17 in project delivery here in California. He will be an
18 important new part of the team and as part of a larger
19 arrangement we have with Caltrans and other agencies to be
20 able to tap into and utilize the expertise that exists
21 throughout the state as we go forward with this project.

22 Lastly on the staffing front, although we are, as
23 we noted, sad to see Lisa go, we are pleased to be able to
24 bring in Geny Baldini, who is joining us and will be taking
25 over Lisa's responsibilities. So we continue to move

1 forward. And that's my report.

2 MR. RICHARD: Questions of Mr. Morales from
3 members of the Board?

4 Jeff, I would just say I think you're making
5 excellent process. The organization just has a feel of
6 moving rapidly to develop itself to be in a position to
7 deliver this project. So certainly encourage that, and I
8 appreciate it.

9 Okay. That concludes the public portion of the
10 agenda. With that, the Board of the High-Speed Rail
11 Authority will now move into closed session to discuss
12 matters per the agenda. We will reconvene afterwards to
13 report on any actions. Thank you.

14 (Whereupon, the Board entered into
15 closed session at 11:01 a.m.)

16 MR. RICHARD: Okay. We're returning after the
17 closed session. There are no actions to report out of
18 closed session. So with that, this meeting is adjourned.

19 Go A's.

20 (Meeting adjourned at 12:40 p.m.)

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REPORTER'S CERTIFICATE

STATE OF CALIFORNIA }
 } ss.
COUNTY OF SACRAMENTO }

I, HE SUK JONG, a Certified Shorthand Reporter,
licensed by the State of California and empowered to
administer oaths and affirmations pursuant to Section
2093(b) of the Code of Civil Procedure, do hereby certify:

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stenographically and, thereafter, transcribed;

That I have transcribed to the best of my ability
the foregoing transcript of the proceedings which then and
there took place;

That I am a disinterested person in this action.

IN WITNESS WHEREOF, I have subscribed my name on
October 17, 2012.

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